

BOEING AIRPLANE COMPANY and SUBSIDIARY COMPANIES



FILE COPY
BOEING & CO.
STATISTICAL DEPT.

Report to Stockholders

YEAR ENDED DECEMBER 31, 1944



BOEING AIRPLANE COMPANY AND SUBSIDIARY COMPANIES

Corporate Structure

Boeing Airplane Company, with its head office in Seattle, Washington, operates the division at Wichita, Kansas, manufacturing B-29 Superfortresses in a plant leased from Defense Plant Corporation and in its own plant. Boeing Airplane Company owns all of the capital stock of Boeing Aircraft Company, which operates company-owned plants at Seattle, Washington, a leased Defense Plant Corporation plant at Renton, Washington, and eight leased branch plants in Western Washington. Boeing Aircraft Company owns all of the capital stock of Boeing Aircraft of Canada Limited, located in Vancouver, B. C. The Vancouver subsidiary is now engaged in manufacturing B-29 components in its own plant and in a plant leased from the Canadian Government. In this report, for convenience, Boeing Airplane Company and Boeing Aircraft Company are sometimes collectively referred to as "the Company."



**FORTS AND
SUPERFORTS**

ABOVE: Boeing B-17 Flying Fortresses, key weapons in the precision bombing of Germany.

BELOW: Boeing B-29 Superfortresses, the only operating land-based bombers capable of attacking Japan.



Annual Report

To the Stockholders of Boeing Airplane Company:

The Annual Report for the year 1944 covering the operations of Boeing Airplane Company and its subsidiary companies is submitted herewith.

BOEING PRODUCTS AT WAR

Boeing-designed and built B-29 Superfortresses made it possible for the Army Air Forces to begin in June their brilliantly executed program of air attacks against Japan proper. In the first ten months of operation, B-29 fleets carried out eighty different missions, almost all of them involving round trip distances of 3000 miles or more. Their unequaled speed, ability to operate at very high altitudes, and remotely controlled gunfire made the B-29's exceedingly difficult aircraft for Japanese fighters to oppose. The Army Air Forces report that already Japan's ability to wage war has been seriously curtailed by these attacks, which are mounting constantly in weight and frequency.

The Boeing B-17 Flying Fortress, which had previously built up a magnificent war record, first as America's only heavy bomber opposing Japan in the Pacific during the early months of the war, and later as the airplane which made possible the start of daylight precision bombings in Europe, was in 1944 the key weapon in America's attacks on German war industry.

It is highly significant that, because of its altitude performance, its defensive fire power and its ability to get home, the Flying Fortress was able to initiate these crucial attacks while the enemy opposition was at the height of its intensity. By destruction of German fighters in aerial combat and destruction of industrial plants on the ground, German aerial opposition was gradually cut down. This reduction of Nazi air power permitted more and more extensive air operations by all types of planes, thereby making possible successful ground operations. In 1944, Boeing Fortress fleets ranging up to 1400 planes in size flew more than 350 different missions against German targets.



KAYDET TRAINERS

More Army-Navy fliers have received their primary training in Boeing Kaydets than in any other plane.

Boeing Kaydet trainers remained the principal primary training planes of the U. S. Army Air Forces and the U. S. Navy. Upon completion of contracts in February, 1945, 10,346 of these trainers had been built. Hundreds of thousands of American military and naval pilots have received and are receiving their initial flight training in the Kaydets.

MANUFACTURING ACCOMPLISHMENTS

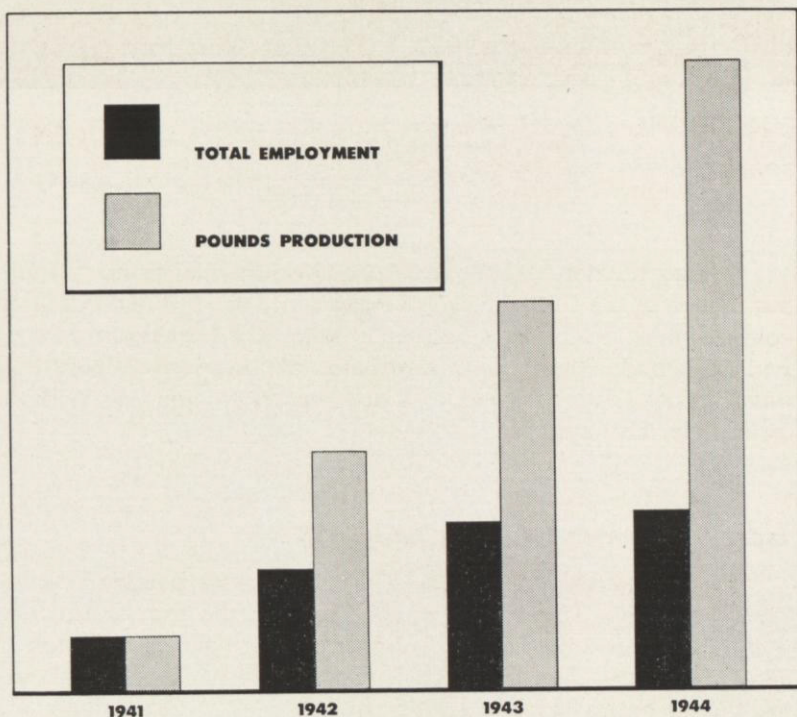
Boeing plants delivered 62.6 per cent more pounds of completed airplanes and spares in 1944 than in the preceding year, with a total average employment only 6.7 per cent greater than in 1943. This increase was accomplished despite the problem of converting the entire Seattle operation from B-17's to B-29's and despite the difficult manpower problem. The Company's plants continued to receive at regular intervals additional stars on their Army-Navy "E" Production Award flags.

The Boeing Wichita Division had the burden of supplying initial B-29 combat needs. The airplane was new to production and it was constantly undergoing modifications to meet combat developments. However, production schedules were met throughout the year, and the monthly output was doubled during 1944.

At Seattle the production of B-17 Flying Fortresses reached its peak in March of 1944. Three hundred sixty-two Fortresses were delivered in that month, the largest number of 4-engine bombers delivered in a single month by any aircraft plant up to that time.

Conversion of the Seattle plant to rapidly accelerating B-29 production while B-17 production was continuing, was an extremely difficult undertaking. B-17's were produced at the rate of 100 per month throughout the final stages of the conversion period

COMPARATIVE INCREASE IN PRODUCTION AND EMPLOYMENT



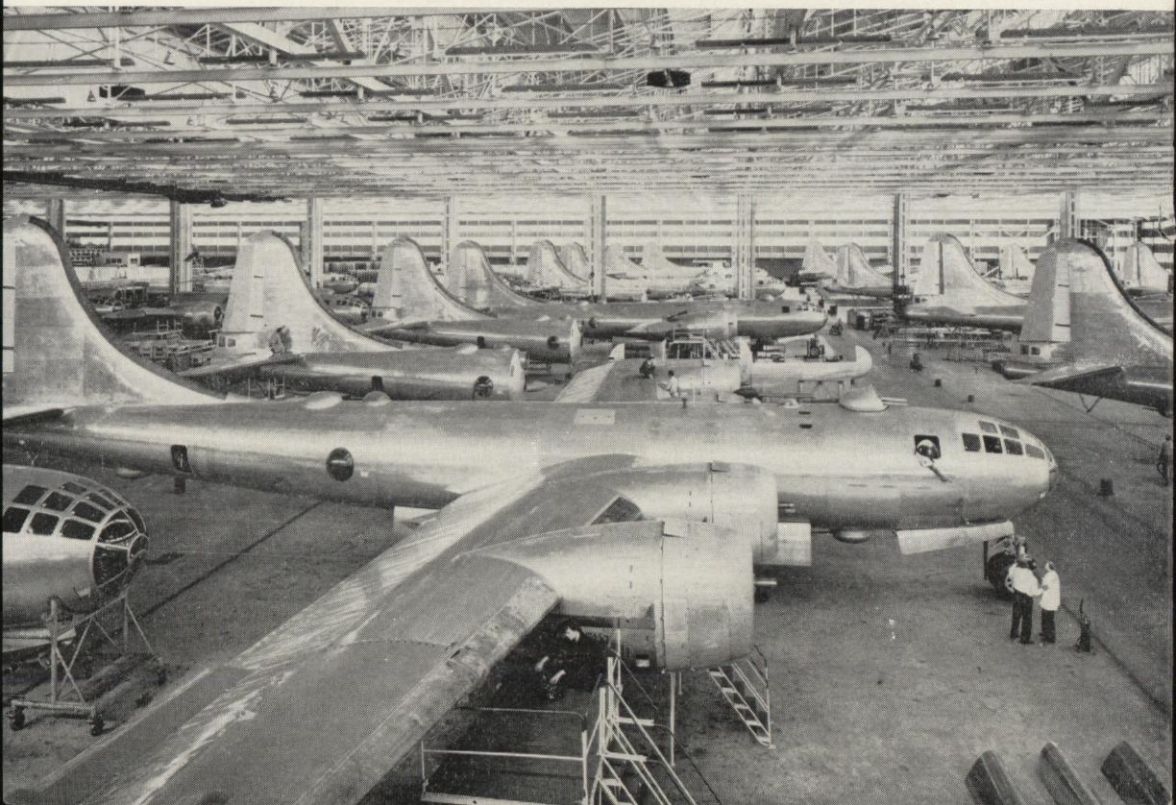
The above chart shows the increase in total pounds of airplanes and spares produced annually by the Boeing Companies as compared with the year 1941, and the increase in total average annual employment as compared with the same year.



**PRODUCTION:
WICHITA**

ABOVE: Nose sections for B-29 pressurized cabins, which provide crew comfort on long trips.

BELOW: Wichita final assembly. Most Superfortresses used in 1944 missions were Wichita-built.





**SEATTLE-
RENTON**

Renton final assembly. Integrated Seattle-Renton operation will be largest producing unit in B-29 program.

and amid manpower shortages and materials and parts delays, the monthly B-29 output of the Seattle-area plants was accelerated at a rate double that of any other B-29 plant.

The Renton plant, previously set up for manufacture of completed B-29's, participated in the conversion, as did the Western Washington branch plants. All were integrated into a single operation for maximum B-29 output, with initial fabrication at Seattle, sub-assembly at Seattle and branch plants, and final assembly at Renton. The number of branch plants was increased from six to eight, and, upon the completion of its contract with the Canadian Government for patrol bombers, the Boeing Aircraft of Canada plant in Vancouver, B. C., was added to the B-29 program as a producer of sub-assemblies.

Seventy-four per cent of the Boeing B-29's produced in 1944 were built at Boeing plants and the remainder by the Bell Aircraft Company at Marietta, Georgia, and the Glenn L. Martin Company at Omaha, Nebraska. Production of Boeing B-17 Flying Fortresses

was continued at an accelerated rate by the Douglas and Lockheed aircraft companies in Long Beach and Burbank, California. Boeing tooling and production information has been made available to the other companies engaged in building Boeing planes and parts or sub-assemblies for them.

PLANT FACILITIES

Additions to plant facilities during the year which involved substantial expenditures from Company funds were limited to the completion of the wind tunnel and a modern employee cafeteria. Reference was made to the construction of each of these buildings in last year's report. Additions not involving the expenditure of Company funds included new warehouse and temporary office space and the construction of a modern employee cafeteria at Renton, all under lease from Defense Plant Corporation.

Your Company now operates 9,380,000 square feet of floor area in the United States, of which 2,265,000 square feet at Seattle and 305,000 square feet at Wichita are Company owned. The remainder is owned by the Government or Defense Plant Corporation or is leased from private owners. The facility owned by Boeing Aircraft of Canada Limited is relatively small.

ENGINEERING AND RESEARCH

Because of the pre-eminence of the Company's designs in the large aircraft field, the Government looked to Boeing to carry one of the greatest engineering loads of any company during the war. A total of more than nine million man-hours of engineering effort were required in this program during the past year.

Boeing's engineering responsibility included the distribution of engineering information to more than 1700 prime contractors, subcontractors, and suppliers who together made up the nationwide network of plants producing the Boeing B-17 and B-29 airplanes. These included the Bell, Martin, Douglas, and Lockheed aircraft companies; and such other companies as Briggs, Chrysler, General Motors, Goodyear, Murray and A. O. Smith.

Two new types of experimental aircraft were completed during the year. Although information on one remains restricted, it may be stated that its performance in flight tests was highly satisfactory. The other type, the Boeing C-97 military transport, was a subject of national interest when it flew non-stop from Seattle to Washing-



**FASTEST
TRANSPORT**

New Boeing C-97 Army transport sets coast-to-coast record of 6 hours, 3 minutes, 50 seconds.

ton, D.C., in 6 hours, 3 minutes, 50 seconds, at an average speed of 383 miles per hour, establishing a new record for airplanes irrespective of type and size.

This 130,000-pound, double-deck aircraft is the prototype of Boeing's postwar Stratocruiser, which will make available to airlines unprecedented high performance and low operating costs.

Boeing's flight research program, believed to exceed in scope that of any other manufacturer, included work on a multitude of highly specialized problems undertaken at the request of the Army Air Forces. Many of these had a direct bearing upon immediately forthcoming combat missions. In a single month as many as 13 specially-equipped four-engine planes were engaged in flight research activity.

Extending the Company's aerodynamic research facilities, the new Edmund T. Allen Memorial Aeronautical Laboratories were first placed in operation February 1, 1944. One of the outstanding

characteristics of this wind tunnel facility is its flexibility. It has been operated at speeds above 700 miles per hour and is also capable of tests at speeds as low as 50 miles per hour.

OTHER WAR SERVICES

Your Company also gave specialized factory training to a large number of the B-17 Army ground crews and to all of the B-29 ground crews required to keep these aircraft in operation at AAF advance bases. Many thousands of enlisted men and officers were given instruction, at the school in Seattle, in the proper method of maintaining these aircraft. At this school, which is operated under contract with the Government on a nominal fee basis, between 450 and 500 employees of the Company regularly serve as the instruction and administration staff. In recognition of the quality of instruction and efficiency of operation the school was again presented with the Army "Excellent" award at the close of the year 1944.

One hundred forty-five of the Company's most capable engineers worked with the Armed Forces during the year as Field Service Representatives in theatres of action and at domestic air bases. The Boeing Service Department thus provided a valuable two-way pipeline of continuous engineering information between the Armed Forces and the Company.

INDUSTRIAL RELATIONS

Throughout the past year, the Company enjoyed the full co-operation of employees in all of its plants.

The acute manpower problem which beset the Seattle area plants necessitated an active program of inter-regional recruitment during the major part of the year. Recruitment activities were carried on in 33 different states.

As in other war plants throughout the country, the high turnover of workers, particularly women workers and those recruited from other sections of the country, proved to be a continuing problem. A program of pre-induction and in-plant training has been of material assistance in obtaining efficiency with previously inexperienced employees. The Company's man-power position for the coming year is subject to the indeterminate effect of Selective Service and other factors beyond its control.

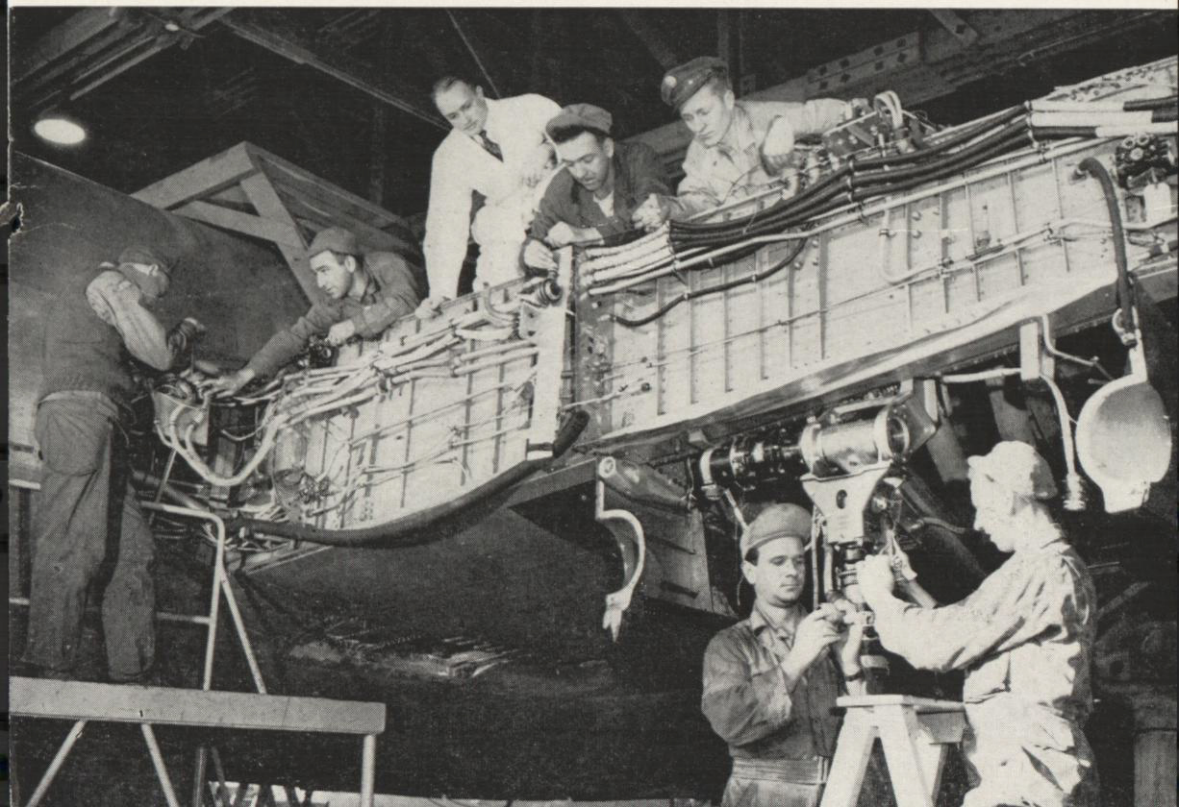
Services provided for employees included assistance in transportation, rationing and housing; branch banking, post office and shopping facilities; medical aid, athletic activities, and in-plant hot food service.



**TUNNEL,
SCHOOL**

ABOVE: New Boeing wind tunnel provides facilities for still greater aerodynamic advancements.

BELOW: Boeing-operated school trains thousands of Army B-29 ground crews.





**WORKERS
CELEBRATE**

ABOVE: Early in 1944, Seattle workers celebrate as first plant to deliver 5000 4-engine bombers.

BELOW: Wichita workers celebrate as first to produce 1000 Boeing B-29's, February 1945.



The Company commends its employees in all plants for their excellent cooperation and effort which made possible the year's production accomplishment. Not only was this cooperation evident in direct productivity, but also through 12,493 suggestions entered in the Employee Suggestion System, 2,380 of which received awards and were put into use. Employees of the Company contributed \$267,305 to the American Red Cross, \$303,543 to the War Chest, and invested \$14,761,975 in war bonds during 1944.

A total of 19,414 Boeing employees had entered the armed services up to the end of 1944 and 2,019 veterans of World War II had been given employment.

FUTURE PLANNING

Recognizing that there will be a substantial reduction in the volume of available aircraft business following the termination of hostilities, the Company has continued its studies to determine if it should engage in the manufacture of products other than aircraft during the post-war period.

However, since the necessities of the war have required the manufacture of as many B-29's and B-17's as Boeing could engineer and produce, the attention that the Company has been able to devote to the post-war period has necessarily been limited. Although these studies will be continued to the extent that they do not interfere with the Company's war effort, the Management is presently of the opinion that the principal activities of the Company should be in the aircraft field.

The Company has had discussions with airlines regarding the sale of the Stratocruiser for post-war use, but due to the indefiniteness of the duration of the war, has made no commitments to date.

Public policy in the procurement of post-war military aircraft has not yet been defined. Your Management is of the opinion that in order to insure national security, the Government at all times should have contracts with aircraft manufacturers of demonstrated design ability for the following:

1. A minimum of at least two preliminary design studies for each type of aircraft including research required in connection with such studies.

2. Construction of one or more experimental models of each type of aircraft selected as a result of previous preliminary design studies.
3. Production of the latest model aircraft of each type in quantities sufficient:
 - (a) To develop production techniques.
 - (b) To permit complete proving through group maneuvers under all service conditions.
 - (c) To give our Government air superiority.

Such a program, it is believed, would insure that the development of future designs will always be going on concurrently with the production of latest available designs, and would provide a basic backlog of work to insure the maintenance of the engineering and manufacturing organizations that have proved invaluable to the nation's security in time of emergency. In any such program it is felt that the Boeing organization has demonstrated its right to a position of importance among the prime contractors with the Government.

In the interest of establishing a broad reputation in Government, public and commercial markets, a program of advertising is being continued in national publications. This advertising is of an informational character based upon the company's demonstrated engineering and manufacturing abilities.

SELECTION OF A NEW PRESIDENT

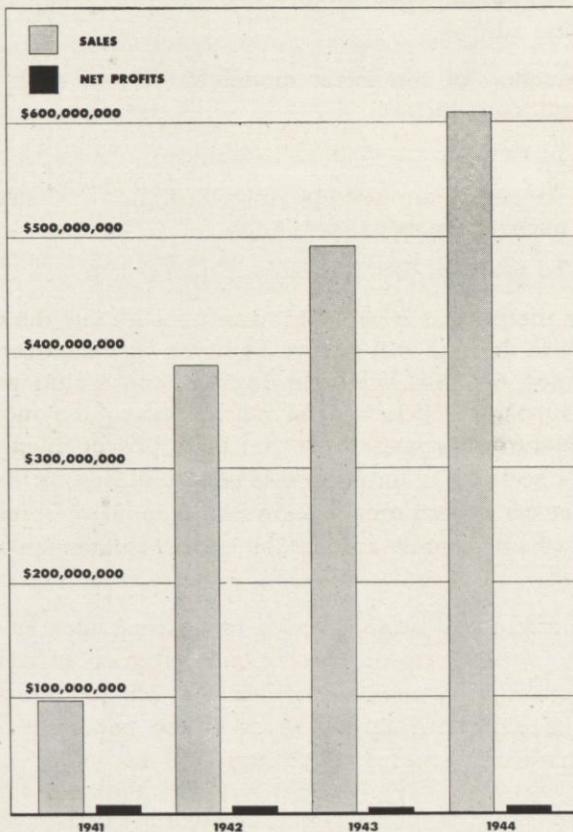
Upon the death of President Philip G. Johnson in September of 1944, Chairman C. L. Egtvedt became the chief executive officer of the Company. The matter of selecting a new president is being given careful consideration by your Board of Directors.

FINANCIAL

PROFITS

Sales for the year 1944 reached an all-time high of \$608,082,413, an increase of \$114,894,252 over the preceding year or an increase of 23.3 per cent. Net profit increased from \$4,482,870 to \$5,257,522, or an increase of 17.3 per cent. This means that the rate of profit on sales was proportionately less.

COMPARATIVE SALES AND NET PROFITS, 1941 TO 1944



This profit is subject to possible further reduction depending upon whether the Government, acting either through a Contracting Officer or through the Comptroller General, disallows items of cost which in the Company's opinion are proper costs under the contracts and which have been charged on the books as such. Several hundred million dollars' worth of costs incurred since 1941 have not been finally audited by the Government. While it is not anticipated that any large amount can or will be disallowed, nevertheless it is not possible to foresee what may occur.

The Company has continued to make substantial reductions beyond those anticipated in the cost of manufacturing its aircraft. Inasmuch as such aircraft were produced under the Cost-Plus-A-Fixed-Fee type of contract, all such savings automatically inured to the benefit of the Government.

RESERVES

The Company has continued its policy of setting aside the amount to be received from the postwar refund of excess profits tax, as a funded reserve for the development of postwar products and markets. The amount to be received is subject to change from time to time as a result of changes in its excess profits tax liability.

The Company has also continued the policy of adding two million dollars to the reserve established as a provision for contract adjustments and indeterminate expenses resulting from war-time conditions.

RENEGOTIATION

War Department representatives, acting under the Renegotiation Act, concluded that neither Boeing Airplane Company nor Boeing Aircraft Company derived excessive profits during the year 1943. In view of the Company's accomplishments in 1944 and the fact that the per cent of net profit to total volume of business for the year 1944 is lower than in 1943, it is the Management's opinion that neither company should be subjected to renegotiation for the year 1944. Consequently, no specific provision has been made in the financial statements for any reductions in profits by reason of renegotiation.

INTEREST ON ADVANCES

Under the provisions of the Company's major contracts with the Government it was entitled to and did receive advance payments for the purpose of financing such contracts. No interest was required to be paid by the Company for such advances. This was in recognition of the fact that the Company had undertaken to perform work, the cost of which was many times in excess of the total net worth of the Company. However, during the year 1944 the Company was required by the Government to amend its B-29 contract to provide for the payment of interest on advance payments on and after April 1, 1945, at the rate of 2½ per cent per annum.

CONVERSION TO FIXED PRICE CONTRACTS

The Company has been recently advised by the Army Air Forces that all Cost-Plus-A-Fixed-Fee production contracts must be converted to the fixed-price type of contract as soon as practicable. In the Company's case this means that the B-29 contract (the prin-

cial production contract) must be so converted. The problems involved, which are both numerous and difficult, are being carefully studied.

BOEING AIRCRAFT OF CANADA LIMITED

The condensed balance sheet as at December 31, 1944, in Canadian dollars, together with pertinent footnotes and certificate of the Canadian auditors is again presented for Boeing Aircraft of Canada Limited. The majority of the work was for the Canadian Government or its agencies. Substantially all contracts for such work provide that determination of profits to be realized be left to the discretion of the Minister of Munitions and Supply. During 1944 he made such determination with respect to certain contracts, and the results thereof are included in the financial statements. Deliveries costing approximately \$48,000,000 have been made during 1943 and 1944 on certain other contracts upon which the profits have not yet been fixed. All such contracts were substantially completed during the year.

The principal plant which had been erected by the Canadian Government was leased, toward the close of the year, by the Company for use in the manufacture of B-29 sub-assemblies and other components for the Seattle-Renton operation.

As explained in the footnotes no determination has been made by the Canadian Board of Referees appointed under the provisions of the Canadian Excess Profits Tax Act of the Company's "standard profit." All profits in excess of the standard are payable as taxes to the Government. A certain percentage thereof (approximately 20 per cent) will be returned to the Company at varying dates after the end of the emergency. Considering the fact that no determination of profit has been made with respect to such a large volume of business and that the Board of Referees has not determined a "standard profit," the net profit for the year and the tax liability as set forth in the financial statements are, of necessity, estimates only and are therefore subject to adjustment.

No profits or other results of operations of Boeing Aircraft of Canada Limited for the year 1944 are reflected in the consolidated balance sheet or consolidated profit and loss statement of Boeing Airplane Company and Subsidiary Company.

By order of the Board of Directors.

C. L. EGTVEDT,
Chairman.

April 11, 1945

BOEING AIRPLANE COMPANY

CONSOLIDATED

December

ASSETS

CURRENT ASSETS:

Cash	\$ 11,036,119
Cash and United States War Savings Bonds held for the account of employees	393,208
United States Certificates of Indebtedness	975,923
Accounts receivable, including \$4,253,862 due from the United States	5,725,452
Reimbursable costs—estimated—and accrued fees in re- spect of cost-plus-a-fixed-fee contracts with the United States, less portion of fees withheld \$8,307,227 (Note 1)	78,229,206
Advances to subcontractors	4,980,000
Inventories of contracts in progress, purchased materials and parts	278,027
TOTAL CURRENT ASSETS	\$101,617,935

INVESTMENTS AND OTHER ASSETS:

Investment in and advances to Boeing Aircraft of Canada Limited, a wholly-owned subsidiary, not consolidated ..	\$ 284,403	
Deposits with mutual insurance company, etc.	66,686	
Estimated post-war refund of excess profits tax (Note 2) ..	8,028,869	8,379,958

EMERGENCY PLANT FACILITIES ACQUIRED UNDER CON- TRACTS WITH THE UNITED STATES, less reserve for amortization of \$1,462,431 (Note 4)

2,967,811

FIXED ASSETS, at cost, including \$12,111,584 being amortized over a sixty-month period under Certificates of Necessity: Land and buildings

\$10,923,387

Machinery, tools and equipment

5,525,487

\$16,448,874

Less—Reserves for depreciation and amortization

9,166,193

7,282,681

DEFERRED CHARGES

465,869

\$120,714,254

NOTE: The above consolidated balance sheet is subject to the

AND SUBSIDIARY COMPANY

BALANCE SHEET

31, 1944

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Accounts payable		\$ 21,837,029
Employees' payroll deductions for United States War Savings Bonds		393,208
Accrued wages, taxes, etc.		11,720,613
Reserve for Federal income and excess profits taxes (Note 3)	\$28,465,724	
Less—United States Treasury Notes (Tax Series) and Certificates of Indebtedness	28,465,724	—
Advances on cost-plus-a-fixed-fee contracts (Note 1)	\$68,000,000	
Less—Unexpended portion thereof which is solely for use on such contracts	27,865,728	40,134,272
TOTAL CURRENT LIABILITIES		\$ 74,085,122

NOTES PAYABLE TO BANK, (Note 4) payable in installments from reimbursements receivable from the United States under Emergency Plant Facility contracts, the right of the Company to receive such reimbursements having been assigned to the bank		2,967,811
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RESERVES FOR:

Contract adjustments and indeterminate expenses resulting from war-time conditions (Note 5)	\$ 8,900,486	
Development of post-war products and markets (Note 2)	8,028,869	16,929,355

CAPITAL STOCK AND SURPLUS:

Capital stock:		
Authorized—1,250,000 shares of \$5.00 par value		
Issued and outstanding—1,082,454 shares, including 436 shares issuable for shares of common stock of United Aircraft & Transport Corporation when presented for exchange	\$ 5,412,270	
Paid-in surplus	8,142,064	
Earned surplus	13,177,632	26,731,966
		<u>\$120,714,254</u>

notes to consolidated financial statements on succeeding pages.

BOEING AIRPLANE COMPANY AND SUBSIDIARY COMPANY

CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended December 31, 1944

Sales, consisting principally of costs under cost-plus-a-fixed-fee contracts considered to be reimbursable and accrued fees to the extent that such fees are not withheld.....		\$608,082,413
Other income		380,947
		<hr/> \$608,463,360
Cost of sales and expenses, including depreciation of \$1,349,267.....	\$571,908,836	
Amortization of facilities acquired with own funds during the emergency period in excess of depreciation charged in respect thereof	1,482,002	
(Not including amortization of \$824,115 equal to reimbursements from the United States under Emergency Plant Facility contracts)		
Provision for estimated Federal income taxes (\$1,015,000) and Federal excess profits taxes (\$26,800,000) (Note 3) (The post-war refund of excess profits tax of \$2,680,000 has been transferred to the reserve for development of post-war products and markets—Note 2)	27,815,000	
Provision for contract adjustments and indeterminate expenses resulting from war-time conditions (Note 5).....	2,000,000	603,205,838
		<hr/>
Profit transferred to earned surplus		\$ 5,257,522
		<hr/>

NOTE: The above consolidated profit and loss statement is subject to the notes to consolidated financial statements on succeeding pages.

BOEING AIRPLANE COMPANY AND SUBSIDIARY COMPANY

CONSOLIDATED SURPLUS ACCOUNTS

Year ended December 31, 1944

	<i>Earned surplus</i>	<i>Paid-in surplus</i>
Balance—January 1, 1944.....	\$10,085,018	\$8,142,064
Add—Profit for the year ended December 31, 1944.....	5,257,522	
	<u>\$15,342,540</u>	<u>\$8,142,064</u>
Deduct—Cash dividends paid, \$2.00 per share....	2,164,908	
Balance—December 31, 1944.....	<u>\$13,177,632</u>	<u>\$8,142,064</u>

NOTE: The above consolidated surplus accounts are subject to the following notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1944

NOTE 1:

Under the terms of certain cost-plus-a-fixed-fee contracts the Government has made advances which are solely for use in the performance of said contracts. The contracts provide that all reimbursements for costs thereunder shall be deposited in restricted bank accounts as security for the repayment of the advances.

NOTE 2:

The board of directors of the Company has authorized an addition to the reserve for post-war products and markets in an amount (\$2,680,000) equal to the post-war refund of excess profits tax. It is intended that the reserve be funded by the post-war refund of excess profits taxes and revisions of the reserve have been authorized to give effect to any subsequent adjustment to the post-war refund.

NOTE 3:

Under the provisions of the Internal Revenue Code, Federal income and excess profits taxes accrued and paid during the war period, and the post-war refund of excess profits tax, are subject to adjustments for factors not currently determinable. These factors may include, among others, two-year carry-back of losses, the reallocation of amortization of emergency plant facilities, and special relief provisions. The Company's subsidiary has made application for relief under Section 722 of the Code.

NOTE 4:

Under the terms of contracts between the Company's subsidiary and the United States for the acquisition, construction and installation of emergency plant facilities, the Government has agreed to reimburse the Company's subsidiary for such expenditures, as limited in amounts by the contracts, over a period of sixty consecutive calendar months following completion. In connection therewith the Company's subsidiary has entered into agreements with The National City Bank of New York pursuant to which the bank has loaned the amounts expended. The agreements provide that the bank shall have recourse for the payment of the principal of such loans solely to the payments which are to be made by the Government under the terms of the Emergency Plant Facility contracts, which have been assigned to the bank, except in the case of default by the Company's subsidiary in connection with the performance of the contracts with the Government or the agreements with the bank. Upon completion of the payments by the Government, title to the facilities passes to the Government.

NOTE 5:

For the year 1944 an addition of \$2,000,000 was made to the reserve for contract adjustments and indeterminate expenses resulting from war-time conditions, which reserve had been established in prior years. At December 31, 1944, this reserve is applicable primarily to costs and expenses of a nature which it is expected will occur at the termination of the war period.

NOTE 6:

The Company has received from the United States Government a formal clearance agreement that no excessive profits were realized on war business for the year 1943 and no amount was required to be refunded pursuant to the Renegotiation Act. Since the profits derived from war business were proportionately less in 1944 than in 1943, the Company does not believe that it should be required to make any refund for the year 1944.

ACCOUNTANTS' REPORT

To The Stockholders,

BOEING AIRPLANE COMPANY:

We have examined the consolidated balance sheet of Boeing Airplane Company and Subsidiary Company as at December 31, 1944, and the consolidated statements of profit and loss and surplus accounts for the year then ended. In connection therewith we reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary, except that it was not practicable to obtain satisfactory confirmations of receivables from United States Government departments and agencies, with respect to which we have satisfied ourselves by means of other auditing procedures.

Subject to the effect, if any, of renegotiation of war contracts, as to which we are not in a position to express an opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus, in our opinion, fairly present the consolidated position of Boeing Airplane Company and Subsidiary Company at December 31, 1944, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous year.

ALLEN R. SMART & CO.,
Certified Public Accountants.

Seattle, Washington,
April 11, 1945.

BOEING AIRCRAFT OF CANADA LIMITED

CONDENSED BALANCE SHEET as at DECEMBER 31, 1944

(IN CANADIAN DOLLARS)

ASSETS

Cash in Banks and on Hand		\$ 15,807.40
Accounts Receivable		671,611.14
Reimbursable costs and accrued fees in respect of cost-plus-a-fixed-fee sub-contract with the Parent Company, less portion of fees withheld, \$2,283.02		1,145,541.61
Victory Bonds and Accrued Interest (Market Value \$250,344.18) (Note 2)		250,719.18
Advance Payments on Material		10,027.74
Expended for Canadian Government on Construction of Tools and Equipment		19,210.40
Inventories:		
Arising from Contracts with the Canadian Government and others, including delivered finished goods on which sales prices have not been fixed, work in process, raw materials and supplies, title to substantially all of which has passed to the purchasers—at Cost (Note 3)	\$55,356,322.62	
Less—Progress Payments	55,079,810.99	276,511.63
TOTAL CURRENT ASSETS (Note 1)		\$2,389,429.10
Fixed Assets, less Reserve for Depreciation		119,953.38
Deferred Charges		11,577.47
TOTAL ASSETS		<u>\$2,520,959.95</u>

LIABILITIES

Bank Loans:		
Notes Payable (Note 1)	\$ 50,000.00	
Demand Loan—Victory Bonds (Note 2)	250,000.00	\$ 300,000.00
Accounts Payable and Accrued Expenses		1,045,764.26
Boeing Aircraft Company		22,050.14
Reserve for Contract Adjustments (Note 4)		60,959.68
Reserve for Income and Profits Taxes (Notes 3 and 5)		439,974.71
TOTAL CURRENT LIABILITIES		\$1,868,748.79
Advances from U. S. Affiliated Companies		129,324.35
Capital Stock:		
Preferred 6% Cumulative Redeemable (Note 6)	\$ 683,000.00	
Common Stock—No Par Value	10,046.20	693,046.20
Surplus (Deficit) as at December 31, 1943	\$ 250,737.72*	
Add—Net Profit for the Year (Note 3)	80,578.33	170,159.39*
TOTAL LIABILITIES		<u>\$2,520,959.95</u>

Note: The above condensed balance sheet is subject to the notes to the condensed balance sheet on the next succeeding page.

* Italics denote red figures.

BOEING AIRCRAFT OF CANADA LIMITED

NOTES TO CONDENSED BALANCE SHEET

DECEMBER 31, 1944

NOTE 1:

Proceeds from certain Contracts, including Receivables, are pledged to secure Notes Payable to Bank of \$50,000.00.

NOTE 2:

Victory Bonds subscribed for by the Company costing \$250,000.00 are pledged to secure a Demand Loan payable to Bank of \$250,000.00 for their purchase.

NOTE 3:

There is included in Inventories an amount of \$52,924,438.14 covering expenditures made on certain aircraft contracts under which deliveries costing approximately \$48,000,000.00 have been made during the years 1943 and 1944 inclusive. Under the terms of the major contracts the determination of profit is left to the discretion of the Minister of Munitions and Supply. No profit on the above-mentioned has been received or included in this statement, nor has any provision been made for income and profits taxes in respect thereto.

NOTE 4:

During the year the Company made provision for probable required downward adjustments on the sales price of items delivered under certain contracts in the aggregate amount of \$51,198.11. As of December 31, 1944, there remained in this account an unsettled balance of \$60,959.68.

NOTE 5:

The Board of Referees appointed under the provisions of the Excess Profits Tax Act have under consideration the Company's application for determination of the basis to be used in computing the excess profits taxes and resultant post-war refunds under that Act. Until the Board has made such determination it is not possible to estimate the amount of excess profits taxes due or post-war refunds. A net tax liability in the arbitrary amount of \$375,000.00 has been set up by means of a charge to profit and loss.

NOTE 6:

Dividends on the 6% Cumulative Redeemable Preference Shares are in arrears in an amount of \$395,650.00.

NOTE 7:

Contingent liability—Guarantee of Bank Loan of \$691,064.53 to Employees for Victory Bond subscriptions secured by unreleased bonds totalling \$724,350.00.

ACCOUNTANTS' REPORT

To The Shareholders.

BOEING AIRCRAFT OF CANADA LIMITED:

We report to the Shareholders that we have made an examination of the accounts of Boeing Aircraft of Canada Limited for the year ended December 31st, 1944, and have obtained all the information and explanations we have required.

We have examined the Condensed Balance Sheet of the Company as at December 31st, 1944, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying Condensed Balance Sheet presents fairly the position of Boeing Aircraft of Canada Limited as at December 31st, 1944, and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants.

Vancouver, B. C.
March 27th, 1945

BOARD OF DIRECTORS

WILLIAM M. ALLEN
Of Messrs. Holman, Sprague
& Allen

FRED P. LAUDAN
Vice-President
Boeing Aircraft Company

HAROLD E. BOWMAN
Secretary and Treasurer
Boeing Aircraft Company

J. E. SCHAEFER
Vice-President
Wichita, Kansas

DARRAH CORBET
Seattle, Washington

DIETRICH SCHMITZ
Seattle, Washington

CLAIRE L. EGTVEDT
Chairman
Boeing Aircraft Company

H. O. WEST
Executive Vice-President
Boeing Aircraft Company

OFFICERS

CLAIRE L. EGTVEDT Chairman
H. O. WEST Executive Vice-President
J. E. SCHAEFER Vice-President
W. E. BEALL Vice-President—Engineering
JAMES P. MURRAY Vice-President
HAROLD E. BOWMAN Secretary and Treasurer

General Counsel

HOLMAN, SPRAGUE & ALLEN

General Auditors

ALLEN R. SMART & CO.

Transfer Agent

CITY BANK FARMERS TRUST COMPANY, NEW YORK

Registrar

THE NATIONAL CITY BANK OF NEW YORK, NEW YORK

MEMORIAL RESOLUTION

PHILIP G. JOHNSON, PRESIDENT OF THE BOEING COMPANIES, DIED IN WICHITA, KANSAS, ON SEPTEMBER 14, 1944. THE LOSS SUFFERED BY THE NATION AND THE COMPANY THROUGH THE LOSS OF MR. JOHNSON WAS EXPRESSED BY THE BOARD OF DIRECTORS IN THE FOLLOWING RESOLUTION:

WHEREAS, the ideals, energies and abilities of Philip G. Johnson have so largely contributed to the history and progress of the Boeing Companies from the time of their inception; and

WHEREAS, after entering the Boeing organization in 1917, he devoted his life to the administration, in a consistently capable manner, of his successive positions as production manager, superintendent, secretary, vice president and general manager, and president, and to the advancement of aviation; and

WHEREAS, this organization has received lasting benefit through his personal characteristics: his honesty of policy and fairness of decision, his clarity and soundness of judgment, his dependability of word, his direct friendliness and warmth of personality, and his devotion to the objective of building a strong, productive, well ordered and progressive institution; and

WHEREAS, his efforts have proved a large and positive contribution to the military success of his nation in time of war: Now, therefore, be it

RESOLVED, that this memorial and tribute be entered permanently in the records of the Company as an evidence of our deep regret and feeling of personal loss in the death of Philip G. Johnson, and that a copy of this resolution be presented to the family of Mr. Johnson as an expression of this Company's gratitude for the exceptional services which he rendered.

September 20, 1944

BOARD OF DIRECTORS
BOEING AIRPLANE COMPANY

